

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 3 — 0 7

2. STATE:

MICHIGAN

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

April 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.252

7. FEDERAL BUDGET IMPACT: (11 million)

a. FFY 2003 \$ (22 million)

b. FFY 2004 \$ - 0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A pg 32.1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A pg. 32.1

10. SUBJECT OF AMENDMENT:

Inpatient Hospital Reimbursement

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Janet Olszewski
Director
Michigan Department of
Community Health

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Janet Olszewski

14. TITLE:

Director

15. DATE SUBMITTED:

4/22/2003

16. RETURN TO:

Michigan Department of Community Health
Policy and Legal Affairs
Federal Liaison Unit
400 South Pine - 7th Floor
Lansing, Michigan 48933
ATTN: Nancy Bishop

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

4/23/03

18. DATE APPROVED:

June 23, 2003

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

4/1/03

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Leon G. Smith

22. TITLE:

Director, CMSO

23. REMARKS:

Pen & ink change to block 7

RECEIVED

APR 23 2003

DMCH - MI/MN/WI

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS -
INPATIENT HOSPITAL SERVICES

Payment Schedule

Payments will be made only after the department has received approval for this policy from the Centers for Medicare & Medicaid Services. Once approval has been received, the initial payment will be made within 45 days. Subsequent payments will be made within 45 days of the beginning of each quarter. The quarterly payments will be made in four equal installments based on the total annual amount each hospital is eligible to receive. If a hospital closes or is determined ineligible to receive funds from a pool, its funds will be redistributed to the remaining eligible hospitals based on the original distribution formula. All funds from both inpatient hospital pools will be distributed to eligible hospitals.

VI. Special Payment Adjustments

Executive Orders No. 2001-9 and 2002-22 as well as the department's appropriations bill direct the Department of Community Health (DCH) to reduce hospital payments by \$21,982,500 for FY'03. The reductions will be made by gross adjustment applied to medical/surgical hospital, rehabilitation hospital and distinct part rehabilitation unit payments.

A calculated share of the total reduction will be assessed to all hospitals and units operating and enrolled in the Medicaid program on the date the E.O. Reduction is processed. The reduction will be based on inpatient hospital paid claims for hospital admissions from September 1, 1999 to August 31, 2000. (The last year of the paid claims data, used to rebase hospitals in FY'02, will be used to implement this E.O. Reduction.) Claims were processed and paid using Medicaid DRG Grouper 17.0 and October 1, 2000 hospital prices. Paid claims include Title I, Title XIX, and Title V/XIX inpatient hospital claims. A hospital's share of the reduction will be calculated by dividing the total of its paid claims by the total of the paid claims for all eligible hospitals times the total amount of funds to be recovered.

Merged hospitals will have their reductions combined. Reductions will be taken from the surviving hospital.

Each hospital's paid claim file was reviewed and appealed at the time the data was created for the purposes of rebasing inpatient hospitals in FY'02. No further appeal of the inpatient hospital paid claims data will be allowed.

Each hospital's share of the reduction will be made by two equal gross adjustments to the hospital's inpatient hospital Medicaid ID number. The first reduction for half the total dollar amount will be made by the last pay cycle in June 2003. The second reduction for the remaining dollar amount will be made during September 2003. Recoveries will be taken from the hospital's payments until the E.O. Reduction is complete.

TN No. 03-07 Approval JUN 23 2003 Effective Date 4/1/03
Supersedes
TN No. 02-20